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SHANGHAI MUNICIPAL POLICE
& S. B. REGISTRY
No. S. B. D. 2885
12. 11. 31.

S.M. Police

MEMORANDUM ON S.M.C. ECONOMY

Shanghai Chinese Ratepayers Association on Reducing Expenses

ON the subject of Municipal Economy the "North-China Daily News" has been supplied, through the courtesy of the Shanghai Chinese Ratepayers Association, with a copy of the letter which that organization has addressed to the Shanghai Municipal Council.

The writers of the letter suggest:

(1) The disbandment of the Municipal Orchestra or its transfer to private operation:

(2). The appointment of capable Chinese to senior positions in the Council's service:

(3) The extension of road widening programmes, etc., over a larger number of years so that the rate of progress will not prove burdensome on the Budget of any particular year

(4) That reduction of pay should commence with the higher paid officials.

The full text of the letter follows:—

Bankers Building,
4, Hongkong Road, S'hai.
November 9, 1931.

The Chairman,
Shanghai Municipal Council,
Shanghai.

SIR,—We beg to bring to your attention and the attention of the Council the following Memorandum on the subject of Municipal Economy:

MEMORANDUM

Governments, national, provincial and municipal, in levying taxes for their support and for meeting their multifarious obligations must have definite policies in financial administration. The financial policy of the pre-War countries was in the main directed toward the adjustment of the countries' incomes to their expenditures, or in other words the various governments were concerned in taking out as much from the pockets of their people as was needed by the public treasuries in financing their huge budgets entailed principally by military expansion. After the War, however, the countries have turned to the direction of adjusting their expenditures to their incomes, or in other words they have endeavoured to take out from the pockets of their people only what is within their ability to give. This brings us to the criterion of taxation: the government should build up a public income by withdrawing from private incomes only those amounts roughly calculated on the basis of the people's ability to pay. The public need of money and the people's economic capacity should therefore be maintained in a state of equilibrium. [illegible]

Lesson of the War

The Great War has left in its wake unprecedented financial stringency to the vanquished nations but it does not follow that the victors are in any way well off. Indeed, during the decade after the War, we find practically the whole world groaning under economic difficulty which has culminated in the recent trade depression yet unabated. The effects of this crisis upon the administrative policies of the various nations so far perceptible are the retrenchment movement in Japan, the war debt moratorium proposal of President Hoover and the formation of a coalition government in Great Britain following the collapse of the Labour Cabinet on the budget question. The formation of a country's policy, therefore, has to follow the general trend of economic development of the country and the world.

Now to turn to Shanghai, unquestionably the greatest financial centre of China and the meeting place of the traders of all cities and countries. Local market in Shanghai, however, depends for its prosperity mainly upon the business conditions in the Yangtse provinces and south and north China, and it has for the past months felt severe setback as a consequence of the flood visitation and the Japanese Manchurian invasion which have brought business in both central and north China practically to a standstill. The Shanghai residents while contributing huge funds to the rescue of the flood refugees have at the same time been deprived of business profits, and their conditions are by no means as happy as they were before. The fact that a large number of [illegible] houses and shops are at present left vacant in the International Settlement and the French Concession and comparative [illegible] the western section of the [illegible] [illegible] conditions of the local market.

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Retrenchment Wanted

Under such circumstances, it will certainly meet with public approval that the financial policy to be pursued by the Council should be one of retrenchment and economy and should not be directed toward the exploration of the source of revenue, in order to maintain balance in the Municipal Budget. This Association in consideration of the economic capacity of the Ratepayers beg to urge the Council to embark upon an extensive economy scheme in its administration with particular reference to the reduction of administrative expenses and the discontinuance of non-essential services.

There are two ways in which to appropriate money for municipal purposes, namely positive and negative. The former relates to those items in the municipal budget which will yield productive returns to the public treasury, such as capital expenditure on public utilities, while the latter relates to such items as educational appropriation which do not give immediate and tangible returns in terms of dollar or cent. In this latter group, a saving in the number of the municipal ledger may mean irreparable loss to the community and eventually to the government. There is, however, still a third and this we refer to the expenditures on police, public health, etc., which should be so fixed as to be commensurate with the services performed. For instance, increase of criminal cases will necessitate the enhancement of police strength and hence the police expenditure, and this enhancement is justified only by a decrease in crime returns. It is certainly not in the interests of economy to have a race between the [illegible] of police expenditure and the growth of criminal cases. Economy in this third group, therefore, is measured by the degree of efficiency with which any particular duty is performed.

The Four Suggestions

In the following, we beg to suggest four principal ways which will have applicable effects in the direction of economising municipal administration and alleviating the deficit in the Council's Budget, which as the Treasurer and Comptroller has informed us will be in the neighbourhood of Tls. 2,[illegible] for the year 1932.

(1) The Municipal Orchestra, which is not an essential service but has absorbed the Council's revenue of approximately Tls. 100,000 per annum should be disbanded, or if possible, transferred to private [illegible]. It is not in the [illegible] [illegible] of the community as [illegible]

The Police Force

(2) The expenditure for Police Force at present constitutes about 39 per cent. of the total Municipal revenue, but if the senior officers could be replaced by competent Chinese, the expenses in the form of salaries, allowances and bonuses can be curtailed to an appreciable extent. The same is true not only of the Police Force but of all other Municipal Departments. This Association is consistant in its proposal of employment of capable Chinese in the senior positions of the Council's service for various considerations of which municipal economy is undoubtedly an outstanding one. In this connection, it may be mentioned that a material saving will accrue to the Council under the item of exchange compensation if the Municipal service can be open to more local Chinese appointments.

(3) The capital expenditure on road extensions and widenings bears heavily on the Municipal Budget, and steps should be taken in mapping out a measure of relief to the Council's finance in this direction. While this Association fully appreciates the relations between road improvements and municipal development and the effects road projects will have of enhancing the value of the adjoining lands and the revenue of the Council, it is equally aware that increased land accessments will bring about a corresponding increase in house rentals and will materially affect the cost of living of the bulk of the population. Since road projects are undertaken in the interests not only of the present Ratepayers but of the future, they should be so planned as to enable the programme to be extended to a period of years and consummated only by progressive stages. The projects should not be executed with such degrees of velocity as will prove burdensome to the Budget of any particular year.

A Delicate Suggestion

(4) We have noted that the Council is considering whether the personnel of certain Departments can be maintained at the present level but wish to point out that the salaries paid to some incumbents of senior positions are higher than appear to be either necessary or equitable as compared with those paid to the rank and file of the staff. The wage at present paid to a constable is not sufficient to enable him to have a settled life under the existing living conditions while the remuneration received by some senior executives may be one hundred and forty times as much. Of course we fully appreciate the [illegible] of the degree of responsibilities but do suggest that retrenchment in the direction of curtailment of personnel expenses should start with the upper end of the Council's staff list. It is reported in the papers that Mr. Ramsay MacDonald voluntarily relinquished one thousand pounds of his annual salary as an aid to the retrenchment policy of the British Government. This may be a lesson to all of us.

We beg to bring to the Council's consideration the above four suggestions and to record as concluding remarks our opinions that municipal economy should be effected only in so far as it does not affect the expenditures which are vested as capitals in productive undertakings or are intended for educational purposes, that efforts should be made to ensure maximum return by entailing minimum cost in the conduct of technical services, and that exploration of the source of revenue in the direction of increased taxation should be avoided as far as possible. We beg to request that the Council extend to our proposals its careful consideration in the interest of the welfare of the community in the Settlement.

Yours faithfully,
SHANGHAI CHINESE RATEPAYERS ASSOCIATION

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